

Introduction

The Emergency Medical Services (EMS) Business Office of the Lynchburg Fire Department processes bills for ambulance services and accounts for payments received from Medicare, Medicaid, insurance companies, and individuals. For this purpose they utilize a unique system designed specifically for billing emergency medical services and tracking the various type of payments received. The software, purchased from Sweet Computer Systems, is called Amazon. An upgrade to the system, implemented in August 2002, has added a number of enhanced features. Among these features is the ability to file Health Insurance Portability and Accountability Act (*HIPAA*) compliant claims electronically with Medicare and Medicaid after the bills are entered into the system. This expedites the process of receiving payment from those organizations. The system accounts for partial payments paid by one organization and bills the balance to another organization or to an individual. An alternative payment plan may also be set up for patients who are unable to pay the entire balance. Typically, the overall process of billing an insurance company and then the patient for any balance may take far longer than the normal thirty-day cycle expected with other receivables.

A large percentage of bills generated through the EMS Business Office must be written off due to contractual arrangements with Medicare, Medicaid, and Tricare which provide that the city will accept the amount allowed by those entities and write off the excess amount. The patient or their supplemental insurance is *subsequently* billed for the allowed *remaining* balance due. Another portion of the total bills is routinely written off due to indigence and death of the patients. The Billing and Collections area of the Finance Department also receives bills not collected within a 90-day billing cycle by the EMS Business Office, to apply delinquent collection procedures.

Review Objectives

The purpose of the review was to examine processes of billing for ambulance services and recording payments received to determine whether:

- The billing/collection process is efficient and effective and adequate internal controls are in place.
- Billing for ambulance services is timely and accurate.
- Payments received are accurately recorded in the EMS Business Office and on New World Systems.
- Payments are deposited timely and accurately.
- An adequate audit trail exists for accounts that are written off of the ambulance billing system and for refunds that are made.
- The percentage of accounts collected is reasonable.

Scope of Work

We interviewed personnel in the EMS Business Office, reviewed system documentation to establish an understanding of the process for billing and collecting payments for ambulance services, and prepared a flowchart of the workflow for ambulance billing and payments.

We tested bills processed during FY01, FY02, and FY03, compared them to the ambulance run reports, reviewed procedures for receipt and deposit of payments and recording entries to the ambulance billing system and traced payments to New World System's Financial Management module. We also tested a sample of reconciliations between the two systems and calculated the percentage of bills collected during the past two fiscal years.

Observations and Suggestions

I. Observations: Billing for Ambulance Services

The process for recording data on ambulance runs and entering it to the Ambulance Billing system is completely manual. The Fire Department is developing a system that will allow the medics to enter information into a handheld computer, print the required report at the hospital, and electronically transfer run data to the billing system.

At the time of our review the EMS office was approximately two months behind in entering run reports and producing bills. This compared to a one-month delay in 2001 – 2002 and a two-week gap between the run and the billing in 2000 – 2001. The current backlog of runs to be billed has resulted from time spent in upgrading the billing system in August of 2002 and training employees in its use. The delay in billing makes it difficult to compare revenue generated and expenses incurred within a given period. It may also complicate collection efforts when patients may move or pass away in the interim.

Suggestion:

We recommend that the Fire Department continue to pursue automation of the process for recording run data and transferring it electronically to the Ambulance Billing system. Automation of the process should eliminate the current delay in billing for ambulance services. In the meantime, we recommend that additional efforts be made to bring billing up to date so that it occurs within two weeks of service.

Management's Response:

As noted, the Department is in the process of implementing electronic run data entry by field personnel. It is anticipated that this process will be in place by July 2003. Additional activities, such as the utilization of part time assistance to reduce data entry backlogs, are underway.

II. Observation: Receiving and Processing Payments, Making Deposits

Payments received for ambulance service are given to the receptionist who records them on a daily log. She then gives the checks and the log to an EMS employee who prepares a second log listing the payments received. This employee pulls the related account up on the Ambulance Billing system, notes that a payment was received, and changes the billing/payment status to reflect the payment. Payments are not posted to the account until after the deposit is made and the Report of Collections is validated in Billings and Collections.

During our review we noted that deposits are not being made in a timely manner to conform with city policy. This occurred on thirty-three of fifty-six days (59%) included in our sample. The Cash Receipts policy requires that deposits be made daily when the amount received is \$200.00 or more and, if less, deposits should be made at least once a week. The test period did not include any days when receipts were less than \$200.00.

When checks are not deposited on the same day they are received, they are stored in a safe in the EMS Business Office. All employees of this area have access to the safe. Checks received in payment are not endorsed at the time they are opened by the receptionist.

On two of fifty-six days reviewed, changes were made to the total received prior to deposit and validation but the changes were not noted on the copy of the log held in the EMS Office and reviewed by Internal Audit.

Suggestion:

We recommend that the log currently used by the receptionist to record payments be modified to allow space for account data noted in the EMS Billing Office, thus eliminating the need to prepare a second log. We also suggest that payments be posted to accounts directly without the interim step of having another employee flag the system that a payment has been received. This can be done before the deposit is made and the Report of Collections validated as long as the Receipts Log and system report of payments are compared and determined to be in agreement.

We recommend that deposits be made according to the requirements of city policy. Any changes made to the total shown on the log should be documented on the office copy and a brief explanation for the change should be provided. The supervisor should also initial any changes made to data on the log.

Access to the safe in the EMS Business Office should be limited to one employee and a backup. Access may also be given to the Administrative Officer for Finance and Budget who oversees this area to allow coverage when the two primary employees are unavailable. Checks received in the department should be endorsed immediately upon opening the envelopes.

Management's Response:

The Department concurs in the above listed suggestions. The receptionist's log has been modified to provide space for EMS accounting data. Payments will be immediately posted as soon as authorization to do so is received from the City's Finance Department. Deposits are now being made on a daily basis. Access to the safe has been modified as suggested.

Auditor's Comment:

Internal Audit sent a memo to the Director of Financial Services on February 12, 2003, asking for authorization to post payments when received.

III. Observation: Delinquent Collections

During our review we noticed that when accounts are written off of the Ambulance Billing system and sent to Billings and Collections for delinquent collection procedures, copies of the bills were sent but there was no summary showing the number of bills and the total dollar amount being sent. We discussed this with the supervisor of ambulance billing and she agreed to send the summary information in the future.

Suggestion:

Bills sent to Billings and Collections should always include a summary sheet that shows the number of bills sent and the total dollar amount and these amounts should agree with general ledger entries for write-offs.

Management's Response:

Summary sheets detailing the number of bills and dollar amounts are now being sent along with bills provided to Billings and Collections. This information agrees with general ledger entries for write-offs.

IV. Observation: New World System Entries

The Finance Department maintains general ledger records that summarize Ambulance Billing activities. When accounts are removed from the Ambulance Billing system for various reasons such as contractual agreements, administrative decisions, indigent and deceased accounts, and accounts being sent to delinquent collections, those transactions are grouped together and described as "adjustments." This makes it difficult to scan the entries for one element such as contractual write-offs.

Suggestion:

We recommend that entries for system adjustments be separated into the various components and accurately described to provide more useful information for general ledger users.

Management's Response:

The Finance Department must set up codes for their ledger. Our system already separates this information into appropriate components. It is our understanding that Internal Audit will make this request to the Finance Department.

Auditor's Comment:

Internal Audit sent a memo to the Director of Financial Services on February 12, 2003, asking for permission to code system entries so that various components of balances being written off can be identified.

V. Observation: Percentage of Accounts Collected

We discussed collection rates for FY01 and FY02 with the ambulance billing supervisor who provided system reports detailing amounts billed and credits posted to the system. Since contractual write-offs are not collectible, they were subtracted from the total billed before computing the collection rate. Based on the data in the system reports, the collection rates calculated were seventy-eight percent (78%) for 2000 – 2001 and seventy-two percent (72%) for 2001 – 2002.

Other Comments:

City management requested that our review of the ambulance billing process include consideration of whether the appropriate location for this function was within the Fire Department or if it would be better suited to the Billings and Collections area of the Finance Department. We discovered that the activity of billing and collecting for ambulance service was formerly split between Billings and Collections and the Fire Department. Following a study performed by an outside consulting firm during the 1990's, the activity was combined into one area at the Fire Department to increase efficiency.

The Amazon System used by the EMS Business Office includes the elements necessary to record emergency medical activities, generate bills based on that information, and track payments received from multiple sources. These features are not available in standard accounts receivable applications. It is possible to relocate this system to Billings and Collections, establish links from the Fire Department that would provide run data for billing, and also to return statistical data on medic runs and equipment usage that is utilized by Fire Administration. However, we feel that the direct contact that currently

exists between EMS personnel and the billing function would be lost and that would result in reduced efficiency in billing.

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